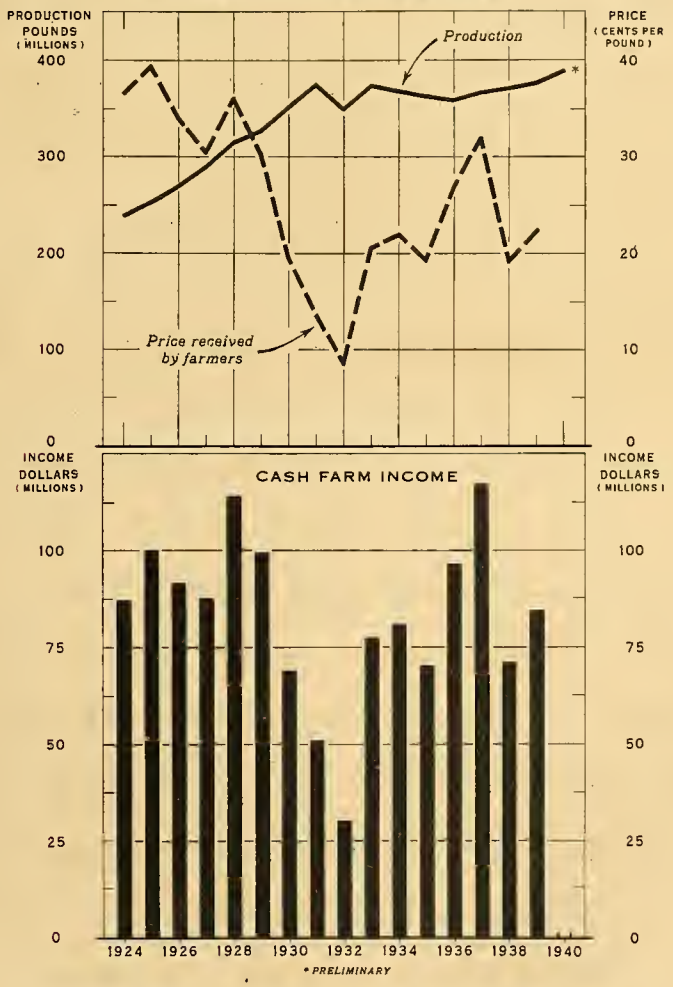
THE Wool SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WOOL-45 BAE SEPTEMBER 1940

UNIV. OF FL LIB.
DOCUMENTS DEPT.
U.S. DEPOSITORY

WOOL, SHORN: PRODUCTION, PRICES, AND CASH INCOME, UNITED STATES, 1924-40



SHORN WOOL PRODUCTION IN 1940 WAS THE LARGEST ON RECORD. THE TREND IN PRODUCTION HAS BEEN UPWARD DURING THE PAST 15 YEARS. WOOL PRICES IN 1939 AVERAGED HIGHER THAN IN 1938, AND CASH INCOME FROM WOOL WAS ABOUT 18 PERCENT GREATER IN 1939 THAN IN THE PREVIOUS YEAR. INCOME FROM WOOL IN 1940 IS EXPECTED TO BE LARGER THAN IT WAS LAST YEAR.

THE WOOL SITUATION

Summary

Domestic wool prices in the next several months will be supported by strong demand for wool in this country. But with imports of wool entering the United States in relatively large quantities, prices of wool in the United States during the next several months will depend to a considerable extent on the prices paid for imported wools. Prices paid for imported wool, in turn, will depend partly upon the quantities of Australian and South African wools released for export and the prices fixed for such wools by the British Government. Relatively large supplies of apparel wool will be available for United States buyers in Argentina and Uruguay.

With the taking over of the wool output of the Union of South Africa (announced in late August), the British Government now has control over a major portion of the world's export surplus of wool. In September 1939 the British Government acquired the Australian and New Zealand wool clips for the duration of the war and one clip thereafter.

Mill consumption of apparel wool in the United States in late 1940 and early 1941 is expected to be considerably greater than a year earlier, as Government orders are filled for clothing and blankets for military use. Prospects for the manufacture of wool goods for civilian uses for the next several months are rather uncertain. Should a decrease in such consumption from last year's level occur, it probably would be more than offset by the increased volume of manufacture for Government orders.

Consumption in July exceeded that of the corresponding month a year earlier for the first time since last January. The increasing rate of consumption in July reflects partly the manufacture of materials for large

army contracts placed in June. Consumption, on a scoured basis, in the first 7 months of 1940 was 7 percent smaller than in the same months last year.

The supply of wool in all positions in the United States on August 1 is estimated to be about 40 million pounds larger than a year earlier, but the supply is small in relation to probable domestic consumption during the next several months. If mill consumption in the remainder of the 1940 season (to April 1, 1941) is to exceed that of the same period a year earlier by a substantial margin, and if stocks at the end of March are to be fairly well maintained, a larger volume of imports of apparel wool will be necessary in the coming 6 or 7 months than was imported in the same months of last season. In the period August 1939 through March 1940 imports of apparel wool totaled about 120 million pounds.

September 10, 1940.

REVIEW OF RECENT DEVELOPMENTS

Wool prices advance in August

The domestic wool market was somewhat irregular in August, but prices of most grades of domestic wool advanced 1 to 3 cents a pound, scoured basis, during the month. Principal factors in the price increase were increased buying of domestic wool to fill new Government orders for wool goods for military use and the announcement that the British Government will take over the current wool clip of the Union of South Africa in addition to the clips of Australia and New Zealand.

Early in August country packed lots of 3/8 and 1/4 blood bright fleece wools sold at Boston at 37-38 cents a pound, grease basis. By the end of August such wools were sold at 39-40 cents a pound with only small quantities available at 39 cents. Country holders were asking 40-42 cents for these wools at the end of August. Boston quotations on graded fine combing (staple) territory wool averaged 90 cents a pound, scoured basis, in the last week of August compared with 88 cents a month earlier. Quotations for combing 3/8 blood territory wool averaged 76.5 cents a pound in the last week of August and 75 cents a month earlier.

Wool imports continue relatively large

Apparel wool imports for consumption 1/ totaled 9.8 million pounds in July compared with 10.6 million pounds in June and 5.6 million pounds in July

1/ Wool entered for immediate consumption plus wool withdrawn from bonded warehouses for consumption.

1939. Imports in the first 7 months of this year, totaling 108 million pounds, were more than twice as large as in the same period a year earlier and were larger than imports for the same months of any recent year except 1937, when 126 million pounds were imported. Imports of carpet wool in the first 7 months of this year totaled 88 million pounds compared with 85 million in the same months of 1939 and a 5-year (1934-38) average for those months of 71 million pounds.

Imports by countries

United States imports of apparel wool in the first half of this year came principally from the Union of South Africa, Argentina, and Uruguay. The relatively small imports from Australia, New Zealand, and the United Kingdom reflect the purchase and control of the entire wool production of those countries in the 1939-40 season by the British Government.

Wool: Imports for consumption, by principal countries of production, United States, 1939 and January-June 1940

Country of production	1939			January-June 1940		
	Carpet wool including camels hair	Apparel wool Not finer than 40s 1/	Apparel wool Finer than 40s	Carpet wool including camels hair	Apparel wool Not finer than 40s 1/	Apparel wool Finer than 40s
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
Argentina	45,609	13,932	8,079	40,172	9,166	23,277
Australia	34	257	29,113	0	31	13,618
New Zealand	8,019	5,640	6,697	791	460	2,920
Uruguay	598	634	16,062	99	533	17,859
Chile	0	0	1,217	0	0	1,582
Union of South Africa	1,196	0	8,329	349	2/	24,413
British India	38,236	552	0	16,472	102	0
United Kingdom	10,157	1,475	2,211	4,054	202	724
Ireland	2,513	177	217	1,608	218	94
Syria	8,386	167	0	4,931	0	0
Iraq	10,520	0	0	4,338	6	0
France	4,052	290	13	127	16	0
China	2,663	156	0	3,320	67	0
Egypt	4,126	38	0	1,577	27	0
Canada	70	135	2,015	1	59	980
All other	8,695	129	658	2,822	8	1,689
Total	144,874	23,582	74,611	80,661	10,895	87,156

Compiled from Monthly Summary of Foreign Commerce, December 1939 and June 1940.
1/ Wools grading "not finer than 40s" may be imported free of duty if used in the manufacture of floor covering, press cloth, knit or felt boots, or heavy fulled lumbermen's socks. In the last 5 years about one-fifth of the imports of such wool have been duty free. 2/ Less than 500 pounds.

Unfilled orders for woven fabrics

Unfilled orders for woven cloth held by 119 mills reporting on June 29 were about 25 percent larger than a year earlier and were 80 percent larger

than unfilled orders reported at the beginning of the third quarter in 1938, according to statistics published by the National Association of Wool Manufacturers.

The increase in orders, compared with a year earlier, was entirely in orders for Government use. On June 29, this year, reporting mills held Government orders for 9.4 million linear yards of wool cloth, reflecting the large orders placed in June. Unfilled orders for civilian wear were slightly smaller than a year earlier.

Unfilled orders for woven cloth reported by 119 mills beginning of each quarter, 1938-40 1/

Quarter beginning	Men's wear		Women's wear	Auto cloths 2/	Total
	Government	Other			
	1,000 linear yd.	1,000 linear yd.	1,000 linear yd.	1,000 linear yd.	1,000 linear yd.
1938-					
Jan.	3,944	10,924	6,043	2,055	22,966
Apr.	2,293	6,293	4,139	1,894	14,619
July	995	13,286	8,041	1,315	23,637
Oct.	785	13,777	6,541	1,968	23,071
1939-					
Jan.	844	24,456	8,951	1,782	36,033
Apr.	565	22,905	5,252	834	29,556
July	661	19,913	11,526	1,824	33,924
Oct.	635	31,887	9,260	3,244	45,026
1940-					
Jan.	1,376	23,438	9,204	2,005	36,023
Apr.	748	21,297	4,429	1,136	27,610
July	9,436	17,564	12,933	3,064	42,997

Compiled from Monthly Statistics of Wool Manufacture, published by the National Association of Wool Manufacturers. Statistics are for cloth containing by weight over 25 percent of yarns spun on the woolen and worsted system. Cloth less than 50 inches wide reported in equivalent 54-inch yardage. The 119 mills are equipped with 27,000 looms.
1/ Reports are for specified dates, near the beginning of each quarter.
2/ Excludes cloth with pile or jacquard design.

Mill consumption up in July

Mill consumption of apparel wool increased sharply in July. The weekly average rate of consumption for the month was 17 percent greater than in June and 3.5 percent larger than in July last year. Consumption in July exceeded that of the corresponding month a year earlier for the first time since last January. The increasing rate of consumption in July reflects partly the manufacture of materials for large army contracts placed in June. For the first 7 months of 1940 mill consumption of apparel wool totaled 298.5 million pounds, greasy shorn and greasy pulled. This compared with 341.7 million pounds in the corresponding months of 1939. The weekly rate of consumption of carpet wool in July was less than in June and it was much smaller than in July last year.

British Government takes over South African wool

It was announced in late August that the British Government had taken over the wool output of the Union of South Africa. It is reported that the basis is about the same as for the Australian clip, - an average price of 10-3/4 pence (18 cents) per pound is indicated as the purchase rate for which South African wool will be acquired by the British Wool Control. In September 1939 the British Government acquired the Australian and New Zealand wool clips for the duration of the war and one clip thereafter.

The British Government now has control over a major proportion of world's export surplus of wool. In 1939 Australia, New Zealand, and South Africa produced nearly 1.7 billion pounds of wool. Australia and the Union of South Africa produce mostly fine wool, whereas New Zealand produces chiefly medium or crossbred wools. In 1939 wool production in Argentina and Uruguay (the only two important exporting countries not under British control) totaled a little over 500 million pounds.

The carry-over of old wool in the Union of South Africa at the beginning of the 1940-41 season, July 1, was considerably larger than a year earlier. Exports from South Africa were sharply curtailed in July partly as a result of the lack of shipping facilities. The total 1940-41 South African supply on August 1, including the new clip, was estimated to be about 50 million pounds greater than that of a year earlier. No figures are available on the carry-over in Australia and New Zealand.

Large Government orders in August

The United States Army received bids and issued proposals for bids for a considerable quantity of wool goods during August. On August 31 awards were made for 1,000,000 blankets. On August 22 invitations were issued for bids to be opened September 3 on about 7,840,000 yards of cloth, including overcoating, serge, and flannel. It is roughly estimated that about 45 million pounds of grease wool will be required for the cloth and blanket orders. Bids also were opened during August for woolen underwear and woolen socks for the army. About mid-August, bids were opened for 1,300,000 yards of cloth for the Navy and Marine Corps.

Contracts placed by the United States Army in June also were large. Rough estimates indicated that about 50 million pounds of grease wool would be necessary to fill the June orders.

Outlook

BACKGROUND.- Prices of wool in this country rose sharply following the outbreak of the European war in September 1939. This rise was brought about by the prospects for a strong war demand for wool in certain foreign countries and the small stocks and relatively high mill consumption of raw wool in the United States. Imports of wool were fairly large in late 1939 and early 1940. Mill consumption was reduced after October 1939, and domestic wool prices declined moderately during the first half of 1940. However, wool prices continued substantially higher than those prevailing before September 1939.

Strong domestic demand for wool expected

Government orders for wool goods are expected to continue relatively large during the next several months, as orders are filled for clothing and blankets purchased for the increasing number of men placed under military training under the pending Selective Service Act. Because of this, mill consumption of wool in the United States in late 1940 and early 1941 is expected to be considerably greater than that of a year earlier.

Prospects for the manufacture of wool goods for civilian uses are rather uncertain. Up to early September the volume of mill orders for civilian requirements apparently was smaller than that of last summer. Increases in incomes of consumers and a greater volume of retail trade later this year may stimulate mill consumption for civilian uses to some extent. Should a decrease in such consumption from last year's level occur, it probably would be much more than offset by increased volume of manufacture for Government orders.

Larger imports expected

The supply of wool in all positions in the United States on August 1 is estimated at about 495 million pounds, grease basis. This estimate includes all the wool now on hand in the United States, plus the unshorn portion of the 1940 clip. Although the supply on August 1 this year was about 40 million pounds greater than that of a year earlier, it is small in relation to probable domestic consumption during the next several months. Mill consumption from August 1939 through March 1940 totaled about 420 million pounds. If mill consumption in the August-March 1940-41 period is to exceed that of a year earlier by a substantial margin and if stocks at the end of next March are to be fairly well maintained, a larger volume of imports of apparel wool will be necessary in the coming 6 or 7 months than was imported in the same months of last season. In the period August 1939 through March 1940 imports of apparel wool totaled about 120 million pounds.

During the periods when imports of wool are entering the United States in large quantities, domestic prices of wools are maintained at a level about equal to the landed cost of similar foreign wools in the United States plus the wool duty. Under such conditions prices of wool in the United States during the next several months will depend to a considerable extent on the prices paid for imported wools.

The prospects for prices of foreign wool for export to the United States in the next several months will depend partly upon quantities of Australian and South African wools released for export and prices fixed for such wools by the British Government. Relatively large supplies of apparel wool will be available for United States buyers in Argentina and Uruguay. In the 1939-40 season United States imports of apparel wools came chiefly from South America and South Africa although some Australian wool was released for export to the United States.

International trade in wool has been greatly disrupted by the present European war. In 1938 (the last full year before the war) imports of wool (apparel and carpet) by the principal importing countries totaled about 1.8 billion pounds. Out of this total, 613 million pounds were imported by the United Kingdom, 117 million by Japan, and 103 million by the United States.

Imports into the five leading continental European countries, France, Germany, Belgium, Italy, and Poland, amounted to 986 million pounds, or more than half of the total imports of the principal countries. So long as the British blockade of continental Europe continues, little wool will be imported into this area.

In considering the probable course of domestic and foreign prices of wool, it should be recognized that the stimulating effects upon prices of the strong military demand for wools in Great Britain and the United States will be offset partly by the fact that wool supplies available to Great Britain and the United States are now much greater than before the war. The availability of this wool to the two countries, of course, will depend upon maintenance of adequate shipping facilities from Southern Hemisphere exporting countries. No information is available on the extent of British losses of wool during the past year as a result of naval and aerial warfare.

Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1938-40

Market and description	Average	1939			1940		
	1938	1939	July	August	June	July	August
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
United States:							
Boston market-							
Territory, scoured basis							
64s, 70s, 80s (fine) staple	70.4	82.7	71.9	74.0	90.4	88.4	89.0
56s (3/8 blood) combing	58.9	69.3	60.4	61.0	77.1	75.4	75.4
46s (low 1/4 blood)	52.4	62.6	54.5	56.0	75.1	76.0	76.0
Bright fleece, greasy							
64s, 70s, 80s (fine) delaine	29.0	32.9	29.5	29.5	34.5	34.4	34.8
56s (3/8 blood) combing	29.5	36.2	32.1	32.5	39.5	39.5	39.5
46s (low 1/4 blood)	28.3	35.5	31.5	32.5	39.5	41.0	41.0
Prices received by farmers, grease basis, 15th of month	19.2	22.3	21.8	22.0	28.6	27.9	27.3
Textile fibers:							
Wool, territory fine staple 1/	70.4	82.7	71.9	74.0	90.4	88.4	89.0
Cotton, 7/8 Middling 2/	8.58	9.04	9.37	8.98	10.29	10.19	9.72
Silk, Japanese 3/	170.6	272.6	264.8	264.1	272.4	254.0	252.9
Rayon yarn, 150 denier 4/	52.2	51.5	51.0	51.0	53.0	53.0	53.0
Rayon staple fiber - 5/							
Viscose 1-1/2 denier			25.0	25.0	25.0	25.0	25.0
Acetate 5 denier			46.0	46.0	43.0	43.0	43.0
Southern Hemisphere			Between seasons - current quotations largely nominal				

Compiled from reports of the Agricultural Marketing Service except as otherwise noted.

1/ Scoured basis, Boston market.
2/ Average at 10 markets.
3/ White, 13-15 denier, at New York, Bureau of Labor Statistics.
4/ Domestic yarn, first quality, Bureau of Labor Statistics.
5/ F.o.b. producing plants, Bureau of Labor Statistics.

United States: Wool imports, consumption and machinery activity, selected periods 1938-40

Item	Year		Jan.-July		July	June	July
	1938	1939	1939	1940	1939	1940	1940
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption, actual weight 1/:							
Apparel	30,811	98,194	44,398	107,859	5,596	10,566	9,818
Finer than 40's	18,443	74,612	30,441	95,410	3,375	9,053	8,264
Not finer than 40's	12,369	23,582	13,957	12,449	2,221	1,513	1,554
Carpet, including camels hair	71,908	144,874	85,006	88,121	8,268	7,760	7,460
Mill consumption 2/:							
Grease basis 3/							
Apparel	474,527	630,150	341,710	298,538	59,820	40,041	61,050
Carpet	92,736	148,513	81,446	73,236	11,380	7,602	8,315
Scoured basis							
Aggregate							
Apparel	219,565	293,083	160,572	149,540	27,489	19,373	28,431
Carpet	64,945	103,421	56,793	52,628	7,984	5,798	6,061
Weekly average							
Apparel	4,143	5,636	5,180	4,824	5,498	4,843	5,686
Carpet	1,225	1,989	1,832	1,698	1,597	1,450	1,212
Machinery activity 2/:	Weekly average in hours						
Hours operated per machine in place							
Worsted combs	39.8	51.8	47.7	46.1	50.9	54.4	57.1
Worsted spindles	26.9	39.6	36.8	30.8	34.2	32.6	35.6
Woolen spindles	30.6	39.8	37.2	37.4	41.2	39.5	42.5
Woolen and worsted looms							
Broad	28.1	40.7	39.4	33.4	41.2	33.5	37.2
Narrow	10.5	13.2	10.9	12.9	10.4	14.5	13.9
Carpet and rug looms							
Broad	23.4	37.4	34.7	36.0	29.4	32.2	25.6
Narrow	15.9	22.7	22.1	20.2	17.5	17.8	15.9

Import figures from the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity from the Bureau of the Census.

1/ Weight of greasy, scoured, and skin wool added together.

2/ Figures for June based on 4 weeks, July 1 on 5 weeks, January-July on 31 weeks. 1938 figures for 53 weeks ended December 31. No adjustments made for holidays.

3/ Total of shorn and pulled wool. Pulled wool, grease basis, is in condition received from pulleries and is mostly washed.

UNIVERSITY OF FLORIDA
3 1262 08861 5975

Wool exports from Argentina and Uruguay in the 1939-40 export season, with comparisons

Country	Argentina				Uruguay			
	Season (Oct.-Sept.)		Oct.-June		Season (Oct.-Sept.)		Oct.-July	
	Average 1934-35 to 1938-39	1938-39	1938-39	1939-40 1/	Average 1934-35 to 1938-39	1938-39	1938-39	1939-40 1/
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
United States 2/	53.5	65.6	55.9	110.1	14.7	16.6	11.6	30.5
United Kingdom	85.0	119.5	100.8	24.6	20.5	10.8	10.3	1.4
France	48.4	57.4	49.6	34.1	7.2	6.5	6.3	1.1
Germany	49.0	44.7	44.6	3/	30.5	36.2	33.3	4.4
Belgium	20.5	22.7	20.7	11.1	10.5	18.3	15.1	3.6
Italy	19.0	7.2	3.7	18.8	13.5	16.1	14.8	13.3
Sweden	3/	3/	3/	3/	2.2	3.1	2.5	15.0
Netherlands	3/	3.4	2.9	10.2	4.0	8.4	6.5	13.6
Japan	7.1	1.5	0.9	13.7	7.9	1.4	1.4	4.9
Other	25.5	38.7	29.2	26.0	4.1	10.6	10.1	10.1
Total	308.0	357.3	308.3	248.6	115.1	128.0	111.9	97.9

Compiled from commercial reports supplied by the Buenos Aires Office of Foreign Agricultural Relations.

1/ Preliminary. 2/ Argentine figures include small quantities shipped to Canada.
3/ If any, included with "other".